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**Date:** 7/1/2013

**GAIN Report Number:** AS1322

## Australia

**Post:** Canberra

### **Inquiry in safeguard measures for processed fruit and vegetables**

**Report Categories:**

Agriculture in the Economy

Stone Fruit

Vegetables

Tomatoes and Products

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**Report Highlights:**

The Australian fruit and vegetable processing industry has been reporting financial stress due to competition from imported products. In response the Australian Productivity Commission is undertaking safeguard inquiries into the impact of imports of processed fruit and tomatoes on Australian producers. The report will determine whether safeguard measures are justified. The United States exports small amounts of processed fruit and vegetables to Australia.

## Productivity Commission Inquiry

The Australian Productivity Commission is undertaking safeguard inquiries into the impact of imports of processed fruit and tomatoes on Australian producers. The products under investigation fall within tariff codes:

- 2002.10.00.60 Tomatoes
- 2008.30.00 Citrus fruit;
- 2008.40.00 Pears;
- 2008.50.00 Apricots;
- 2008.70.00 Peaches, including nectarines;
- 2008.97.00 Mixtures;
- 2008.99.00 Other.

The inquiry has been instigated at the request of SPC Ardmona which is one of Australia's largest food processors. In April 2013, SPC Ardmona announced that they would be reducing by up to 50 percent the amount of fruit they would be purchasing from Australian growers. In response many fruit growers have destroyed trees with unharvested fruit as it is not economical to harvest and leaving the fruit increases disease risk. A large vegetable processor in Tasmania has also indicated that they are under financial stress due to competition from imported products. The company employs 300 people and provides a market for 130 growers. These circumstances have arisen largely due to the strength of the Australian dollar which decreased the competitiveness of Australian products relative to imported product. Adverse seasonal conditions have also affected fruit quality in some areas which increased the amount of fruit classified as processing grade.

The inquiry will specifically investigate whether safeguard measures under World Trade Organization rules are justified and if so what those measures would be. The Productivity Commission is Australia's competent authority to investigate whether safeguard measures are justified under WTO rules.

Provision is made for the use of agricultural safeguard measures in the United States-Australia Free Trade Agreement under strict conditions.

The Commission has been asked to provide an accelerated report within three months as to whether circumstances are such to justify provisional safeguard measures (to apply for no more than 200 days). A final report on whether definitive measures are justified must be provided to the Australian Government by December 21, 2013.

### Impact on United States trade

In 2012 Australia imported \$55 million of canned tomatoes and \$92 million of canned fruit. Over 90 percent of canned tomatoes are sourced from Italy and although it is the second largest supplier, the United States represents only 2% of canned tomato imports into Australia. Key sources of canned fruit are China (26%), South Africa (17%) and New Zealand (12%). The United States accounts for approximately 5% of canned fruit imports into Australia.

From the United States perspective, in 2012 the gross value of US exports of all products being considered under the inquiry was \$6,118,313. Australia ranks as the 4<sup>th</sup> largest destination for canned tomatoes from the United States and the 9<sup>th</sup> largest market for canned fruit. However these markets account for only 4% and 1.3% of US exports respectively.

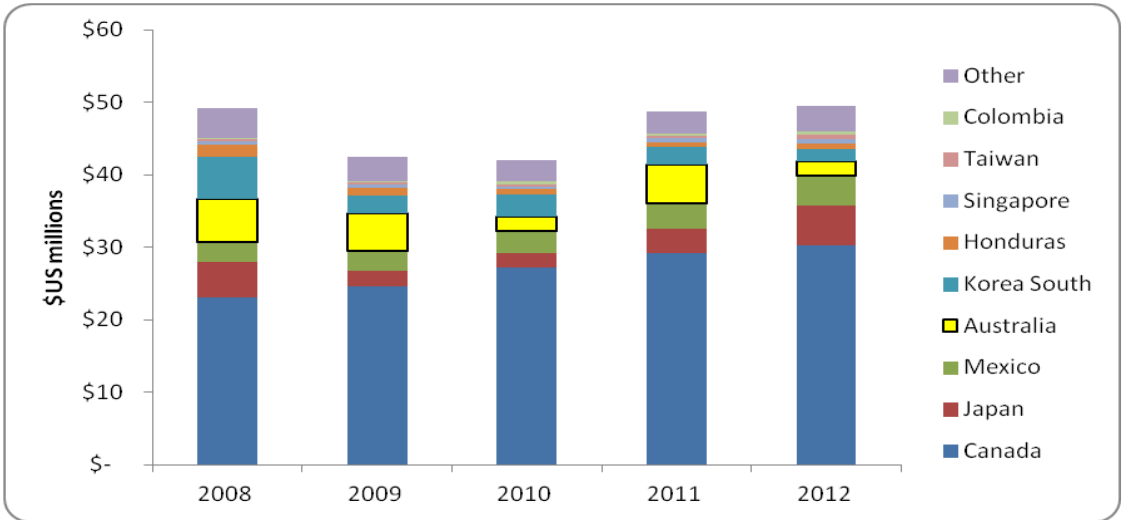


Figure 1 US exports of canned tomatoes by destination

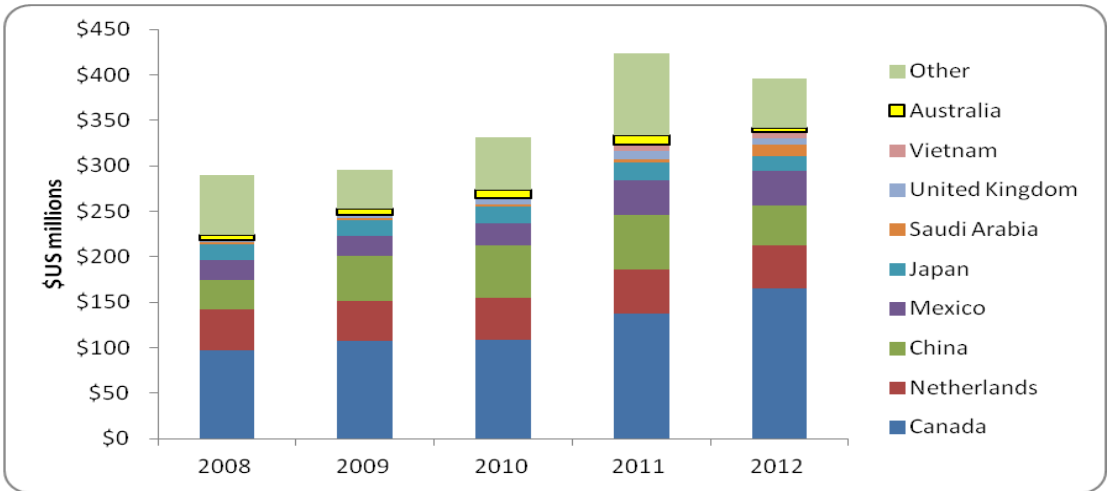


Figure 2 US exports of canned fruit by destination